Annual Report 1983

Report of Activities
For the Fiscal Year
Ended March 31, 1983

Hon. Eric Berntson
Minister of Agriculture

Jack Drew
Chairman, Board of Directors

REGINA, Saskatchewan
April, 1983

His Honour C. Irwin McIntosh
Lieutenant Governor,
Province of Saskatchewan

Sir:

I have the honour to present the Tenth Annual Report of the Saskatchewan FarmStart Corporation for the fiscal year ended March 31, 1983.

Respectfully submitted,

Eric Berntson
Minister of Agriculture
Minister-in-Charge
Saskatchewan FarmStart Corporation

REGINA, Saskatchewan
April, 1983

Honourable Eric Berntson
Minister of Agriculture
Minister-in-Charge
Saskatchewan FarmStart Corporation

Sir:

Presented herewith is the Tenth Annual Report of the Saskatchewan FarmStart Corporation for the fiscal year ended March 31, 1983.

Respectfully submitted,

Jack Drew
Chairman, Board of Directors
Saskatchewan FarmStart Corporation

REGINA, Saskatchewan
April, 1983

Mr. J. Drew, Chairman
Saskatchewan FarmStart Corporation

Sir:

The lending activity of the Corporation during 1982-83 reflected both the internal and external recessionary pressures being faced by the province's economy. Responding to stationary or in some instances declining prices, farmers expressed a cautionary utilization of agricultural credit in both the establishment or development of new farming enterprises.

During the year, the Corporation approved 463 loans for a total of $18,619,616. Although the amount of loans and the total amount approved for 1982-83 was approximately one half of the previous year's total, the approval levels are consistent with the average approvals during the past ten years.

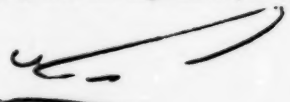
With many of FarmStart's clients requiring large operating loans in conjunction with their intensive farming operations, the decline in interest rates was a great relief to many farmers who during their development years incurred interest costs which were double that of when they commenced their farming operations. A prime indicator of the resilience of FarmStart's clients to weather the storm of high interest rates was reflected by an arrears rate which remained relatively unchanged during the year.

Similar to other credit agencies, both public and private, the Corporation increased both its monetary and personnel resources to assist individuals where refinancing was necessary for the maintenance of the farm unit. By providing fixed interest rates over a longer amortization period, the Corporation was able to assist many individuals who may have been unable to commence or maintain their farming operation.

As in previous years, the largest portion of approvals by the Corporation were for the three major enterprises of beef, dairy and hogs. Approximately half of the approvals were for beef, while hogs and dairy accounted for another one third of the total approvals.

The lending portfolio of the Corporation's credit activity which has been increasing during the past several years is that of assistance for irrigation. Although assistance for irrigation in the South Saskatchewan River Irrigation District is comparable to previous years, irrigation development throughout the province has continued to be in strong demand. Future projections indicate that irrigation development could become one of the Corporation's main lending purposes.

As of March 31, 1983, the Corporation had approved approximately 7,500 loans to 5,068 individuals for a total exceeding $235,000,000. With improvements expected in the agricultural economy, future projections indicate that FarmStart will continue to be one of the primary lenders for livestock and irrigation operations in the province.



David C. Leslie
Officer-in-Charge
Saskatchewan FarmStart Corporation

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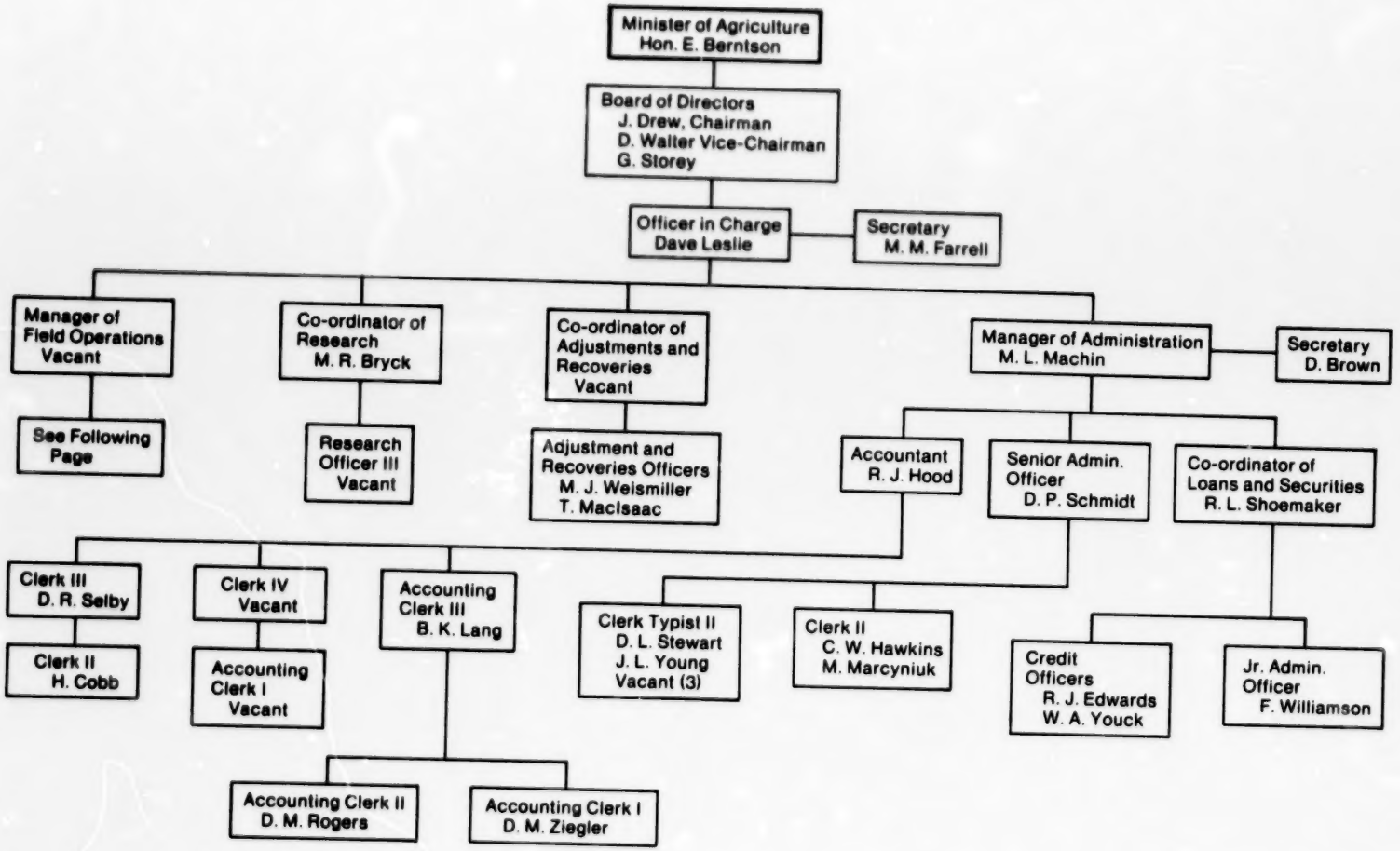
I. ORGANIZATION

The Saskatchewan FarmStart Corporation is a crown corporation established under The Agricultural Incentives Act. Responsibility for the Corporation rests with the Minister of Agriculture.

The affairs of the Corporation are managed by a Board of Directors, consisting of three persons, appointed by the Lieutenant Governor in Council. The members of the Board are Mr. Jack Drew, Mr. Daniel Walter and Dr. Gary Storey. Mr. Jack Drew occupies the position of Chairman of the Board of Directors, while Mr. Daniel Walter is Vice-Chairman.

The head office of the Corporation is in Regina with regional offices located in North Battleford, Tisdale, Yorkton, Watrous, Swift Current and Weyburn. District offices are located in Meadow Lake, Shellbrook, Prince Albert, Kelvington, Strasbourg, Saskatoon, Kindersley, Moose Jaw, Assiniboia and Indian Head.

ORGANIZATIONAL STRUCTURE



FARMSTART REGIONAL OFFICES

Region No. 6 — North Battleford 445-6146

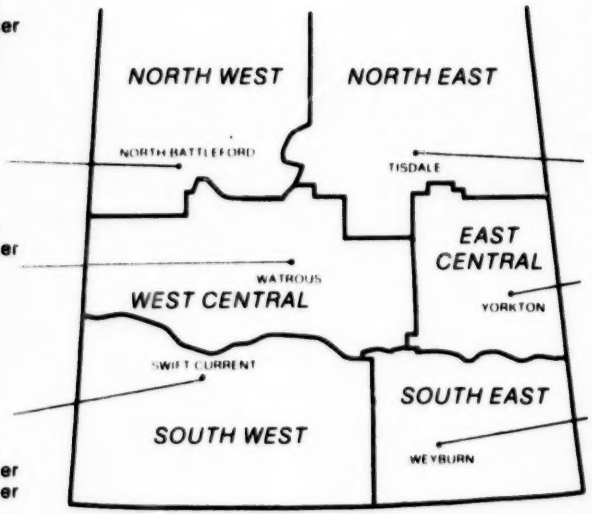
Foreman, Bob	Regional Manager
Vacant	Senior Loans Officer
Vacant	Loans Officer
Gustafson, Mary	Admin. Assistant
Bater, Keith	Agrologist
Babcock, Jim	Agrologist
Danyluk, Jim	Agrologist
Hawryluk, Sandra	Clerk Typist

Region No. 4 — Watrous 946-3395

Kunigiskis, Joe	Regional Manager
Boyce, Jim	Senior Loans Officer
Dieno, Doreen	Loans Officer
Devitt, Heather	Admin. Assistant
Spencer, John	Agrologist
Gramiak, Larry	Agrologist
Hovdestad, Lorne	Agrologist
Berry, Gloria	Clerk Typist

Region No. 2 — Swift Current 773-2866

Lafreniere, Dennis	Regional Manager
Manz, Gerry	Senior Loans Officer
Martins, Gerry	Senior Loans Officer
Gruending, Esther	Admin. Assistant
MacRae, Don	Agrologist
Frisk, Laverne	Agrologist
Howes, Ralph	Agrologist
Penner, Cindy	Clerk Typist



Region No. 5 — Tisdale 873-2693

Petrar, Don	Regional Manager
Gabruch, Dave	Senior Loans Officer
Childs, Ken	Loans Officer
Johnson, Joyce	Admin. Assistant
Pierce, Don	Agrologist
McLaren, Pete	Agrologist
Hagen, Cec	Agrologist
Zorn, Lorraine	Clerk Typist

Region No. 3 — Yorkton 783-9744

Cote, Denis	Regional Manager
Karcha, Wade	Senior Loans Officer
Stapleton, Chuck	Loans Officer
Collins, Carole	Admin. Assistant
Rakochy, Joe	Agrologist
McLaren, Don	Agrologist
Donovan, Jim	Agrologist
Fedorowich, Muriel	Clerk Typist

Region No. 1 — Weyburn 842-4607

Ballard, Lyle	Regional Manager
Lillejord, Rick	Senior Loans Officer
Thompson, Guy	Senior Loans Officer
Emberley, Charlene	Admin. Assistant
Stein, Lloyd	Agrologist
Ewasiuk, Dan	Agrologist
Caderma, Terry	Agrologist
Barnhart, Bonita	Clerk Typist

II. PROGRAMS ADMINISTERED BY THE SASKATCHEWAN FARMSTART CORPORATION

The agricultural sector continues to be the driving force behind the development and expansion of the Saskatchewan economy. The impact of the agricultural economy in Saskatchewan involves half of the province's gross provincial product and in addition is one of the major contributors to Canada's export earnings. To ensure that the agricultural industry continues to thrive and provide benefits to those willing to invest in farm resources, properly directed incentives are required. Of all incentives, one of the major requirements is that of agricultural credit.

The major objective of the Saskatchewan FarmStart Corporation is to provide agricultural credit programs and services which will assist the maintenance and expansion of family farms at adequate income levels. To meet this objective, the Corporation offers a comprehensive rural credit program which combines both monetary assistance and responsive counselling and training.

The Corporation assists beginning and developing farmers to establish profitable farm operations by intensification and diversification of production as available through livestock and irrigation enterprises.

Through intensification, Saskatchewan FarmStart Corporation assists farmers in increasing the production potential of their farming enterprises. In providing incentives for production, the Corporation assists the agricultural industry by enabling farmers to diversify their production patterns or by developing new farm products for market.

By increasing and diversifying the productive capability of Saskatchewan agriculture, opportunities for secondary processing are enhanced as increased diversified production is required to stimulate and expand the province's industrial and manufacturing base.

A. LOAN AND GRANT PROGRAM

1. Operation

Criteria

FarmStart can provide credit and grants to farmers establishing or expanding livestock enterprises or irrigation operations.

Persons who receive assistance must make farming their principal occupation or already be farming. They must be Canadian citizens or landed immigrants, and must maintain or establish a permanent residence in Saskatchewan for the term of the loan.

Applicants must have a net worth of less than $185,000 and must be earning less than $18,000 net income per year.

Purpose

FarmStart assistance may be used for:

1. Purchasing breeding stock or withholding female livestock to establish or expand breeding herds. Livestock includes beef, dairy, swine, sheep, poultry, bees, P.M.U., goats, or fur bearing animals raised in captivity.

2. Clearing, breaking, regrassing grazing lands or seeding cultivated land to perennial forage crops to increase grazing or feed supplies for additional livestock production.

3. Purchasing, constructing or renovating buildings, making improvements or additions such as fencing and water supplies.

4. Purchasing equipment which is essential to livestock production, including forage equipment. Equipment which can be used for grain production does not qualify. Assistance is available through other lenders for the purchase of such items.

5. Purchasing feeder hogs for finishing operations being established or expanded on a permanent basis.

6. Land levelling for irrigation and purchasing irrigation equipment as well as equipment for seeding, harvesting, storing or processing of irrigated crops and vegetables.

Loan Amounts

The maximum loan to an individual is $200,000.

Interest Rates

For the first $100,000 of the loan, or that portion which brings the applicant's productive assets to no more than $250,000, the interest rate charged is 10% for the first five years and 12% for the balance of the term of the loan or until the loan and the interest thereon has been paid in full.

For that portion of the loan which exceeds $100,000, or which brings the applicant's productive assets to more than $250,000, the interest rate charged is 14% for the full term of the loan.

Irrigation farmers inside the South Saskatchewan River Irrigation District #1 may obtain a loan under the above terms, or, if they intend to irrigate at least 100 acres, they may use the special irrigation terms provided for the S.S.R.I.D. #1.

Under these terms, the maximum loan is $200,000 or that amount which would bring the individual's productive assets to $400,000, whichever is the lesser. The interest rate on the total loan is 10% for the first five years and 12% for the balance of the term of the loan.

FarmStart interest rates are adjusted in response to financial conditions. From November 1, 1973 to September 30, 1976 all loans were at 6%.

After this period, rates were split between the first five years and the balance of the term. From October 1, 1976 to March 31, 1978, loans were at 7% for the first five years and 9% for the balance of the term. From April 1, 1978 to March 31, 1980, loans were available at 6¾% and 8½%.

On April 1, 1980, a second level of interest rates was introduced for larger loans. From April 1, 1980 to May 31, 1981, rates on subsidized loans were 8% for five years, and 10% on the remaining term. Non-subsidized loans were at 12½% for the full term of the loan. On June 1, 1981, the rates were changed to 10%, 12% and 14%. These rates were in effect at the close of the 1982-83 budget year.

Security

The security levels required are based on the Corporation's dual mandate of being both a development agency and a lender of last resort. While FarmStart generally requires less security than other lenders, an adequate level is expected in order to secure public funds.

Security may include assets acquired with approved funds. Also, security may be in the form of land mortgages. Where a new applicant cannot raise sufficient security FarmStart may accept guarantees on behalf of the applicant.

All loans must be life insured. FarmStart offers a group life insurance plan, although other life insurance plans are also acceptable.

Grants

As of August 31, 1982, the grant portion of the loan and grant program was discontinued. The grant which had a maximum level of $8,000 had remained unchanged since the inception of the Corporation in 1973. Grant allocations were based on a formula of having a net worth of less than $36,000 and a requirement of the client expanding his operation by four dollars for each dollar of grant received.

An examination of the positive and negative impacts of the grant indicated that the benefits were marginal when compared to the capital cost requirements associated with loan disbursements. Therefore, because the grant was becoming ineffective and with other more important features of the program such as low interest rates, longer repayment terms and payment flexibility, the grant was deleted.

Repayment Terms

The maximum loan term is 15 years or that length of time required to repay the loan before the age of 65. For beef and hogs, flexible repayments, which are optional, are calculated according to a formula which takes into account both product prices and production costs. Repayments are reduced in periods of low prices and increased in periods of high prices. Increased payments are only maintained until the deficiency is made up.

Application Procedures

Information on FarmStart is available from FarmStart staff who are located throughout the province. Department of Agriculture staff, including Agricultural Representatives, also provide information.

Applicants must first complete a form to determine eligibility. If eligible, the applicant must then complete a farm plan and other detailed budgets. Assistance is available from FarmStart field staff to complete these plans which indicate the potential to develop an economically viable farm unit. In addition counselling and technical advice is available from Farm Management Specialists, Livestock Specialists and Agricultural Engineers of Saskatchewan Agriculture.

Once the applicant has completed the farm plan and other budget material, FarmStart field staff will review the package and make a decision on the loan.

Applicants should not expect to receive instant credit where long term planning is required to obtain an adequate loan. While applications are processed as quickly as possible, factors such as multiple operator units, operating agreements or loan size could affect the time required for analysis and approval of credit funds.

Applicants are cautioned about buying items before receiving final loan approval. Although FarmStart may give consideration to refinancing loans from other lending agencies, the Corporation will not accept responsibility for purchases made prior to loan approval.

Once the loan agreement has been completed, funds may be advanced to the applicant, provided that the required security is available. Funds are disbursed through the regional office upon presentation by the client of bills verifying that the expenditure has been incurred and is consistent with the proposal presented by the applicant to FarmStart.

Operating Credit

In addition to the capital funds provided by FarmStart, many clients need operating credit to enable them to develop or expand their farming operations. Therefore, the Corporation may offer to guarantee an operating loan the client receives from a commercial lender. These guarantees are only available to those with FarmStart capital loans.

Operating loan guarantees are based on cash flow projections completed by the client and field staff. If a guarantee is to be provided, the client will be given a guarantee form to take to the commercial lender of his choice. The form will specify the amount and duration of the guarantee as well as the security to be taken.

2. Assistance Provided

Loan Approvals

During the 1982-83 fiscal year, FarmStart approved 463 loans for an average of 8.9 loans per week. The majority, 289, were first applications, while 121 were second applications and 53 were third or subsequent applications.

The total of approved loans and grants amounted to $18,619,616.01 which was composed of $18,108,897.41 in loans and $510,718.60 in grants.

The average approval was $40,215.15. This was divided into loan and grant in the proportion of $39,112.09 and $1,103.06.

Grants were provided with 77, or 17% of the 463 loans. The average grant was $6,632.71.

Since the inception of the program, FarmStart has approved over $235 million, including $213 million in loans and $22 million in grants. A total of 5,068 borrowers have been approved for assistance.

Use of Loan and Grant Funds

Beef: In 1982-83, beef enterprises accounted for 216 or 47% of approvals, totalling $7,750,970 including $7,435,354.83 in loans and $315,615.17 in grants.

The average beef approval was $35,884.12 down from the 1981-82 average of $39,322.91.

Funds were disbursed for beef enterprises as follows: 47% for buildings and improvements, 45% for livestock, 7% for machinery and equipment.

Holding: In 1982-83, 31 holding loans were approved to assist individuals for beef finishing operations. A total of $256,810 was approved for an average loan amount of $8,284.19.

Hogs: In 1982-83, hog enterprises accounted for 91 or 20% of approvals and received $3,838,499.59 in loans and $71,938.25 in grants for a total of $3,910,437.84. These loans were used to assist with the establishment or expansion of farrow-to-finish, farrowing, or finishing enterprises. The average expansion was $42,971.84 which is higher than the average of $37,381.27 in 1981-82.

Funds were disbursed for hog enterprises as follows: 76% for buildings and improvements, 17% for livestock and 5% for machinery and equipment.

Dairy: During the year, 64 dairy loans were approved for $3,517,690.92 along with $31,951.73 in grants for a total of $3,549,642.65. The average approval was $55,463.17 which was a decrease from the 1981-82 average of $61,629.41.

Funds were disbursed for dairy as follows: 47% for buildings and improvements, 44% for livestock, and 6% for machinery and equipment.

Bees: During the year, 16 bee loans were approved for $885,045.70 along with $13,525.88 in grants for a total of $898,571.58. The average approval of $56,160.72 is an increase over the 1981-82 average of $48,200.59.

Funds were disbursed as follows: 71% for buildings and improvements, 20% for bees and 6% for machinery and equipment.

Irrigation: In 1982-83, 37 loans were approved for irrigation purposes. The 6 approvals within the S.S.R.I.D. #1 totalled $594,272.60 for an average of $99,045.43. The 31 irrigation approvals throughout the province totalled $1,382,868.55 for an average approval of $44,608.66.

Almost all funds disbursed were for irrigation machinery and equipment and 2% of the funds were disbursed for buildings and improvements.

Other loans were provided by FarmStart for poultry, sheep and fur bearing operations. The total assistance for these types of farm operations involved 8 loans for $276,042.79.

Cumulative Totals: As of March 31, 1983, FarmStart had approved assistance for 5,068 clients who had approximately 7,500 loans for a total of over $235 million.

Beef loans made up 50% of the loan activity with approvals exceeding $117.7 million.

Dairy loans were second with a net approval of funds of approximately $50.7 million for 22% of the net total approved.

Net approvals for hogs were approximately $38.1 million for 16% of the total net approval amount.

The three enterprises of beef, dairy and hogs accounted for 88% of net approval of funds to date.

The other approvals for farm enterprises were distributed as follows:

149 approvals for irrigation operations throughout the province for a total of approximately $8.6 million.

152 approvals for bee enterprises totalling over $7.2 million.

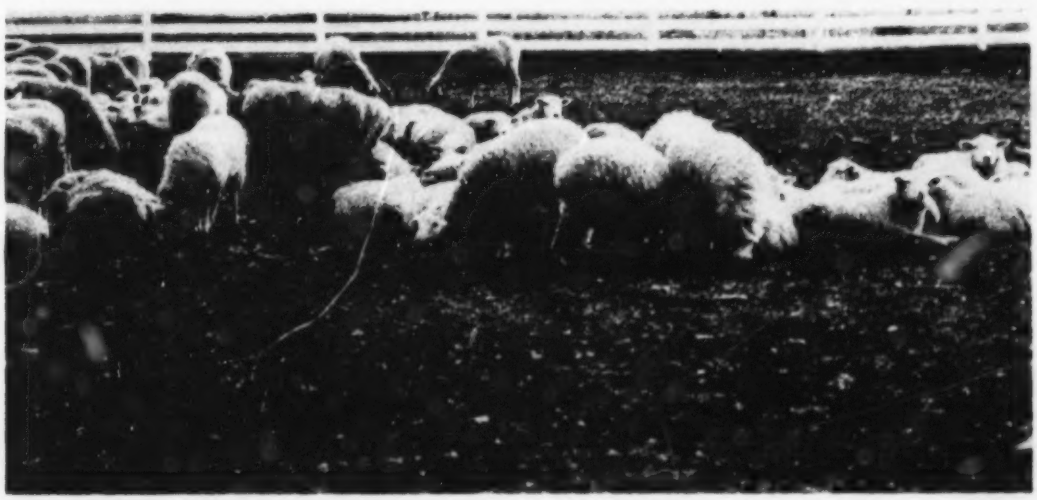
91 approvals in S.S.R.I.D. #1 for irrigation operations for a total over $4.3 million.

88 approvals for poultry enterprises for a total of almost $4.6 million.

90 approvals for sheep enterprises for a total approaching $3.2 million.

17 approvals were made for fur bearing enterprises approaching $1 million.

18 approvals for P.M.U. operations for a total of over $300,000.



B. GUARANTEED LOAN PROGRAMS

In addition to the assistance which is available to farmers from FarmStart, the Corporation administers several loan guarantee programs.

1. Livestock Loans Guarantee Act (L.L.G.A.)

The Livestock Loans Guarantee Act provided loan guarantees and interest subsidies to farmers purchasing female cattle and sheep. Borrowers were paid a grant to offset any interest charge over 7% during the first three years of their loans.

The program was terminated as of August 31, 1974 and on April 1, 1975 administration of the program was placed under FarmStart (see Financial Statements, Note 8).

As of March 31, 1983, a total of $60,471 was still outstanding in guarantees under this program, representing some 31 borrowers.

Since the last loans under the L.L.G.A. were approved in 1974, farmers who received loans in that year continued to be eligible for interest subsidies on those loans for the year ended 1977, while final repayment of the loans was due in 1981.

To ensure that all farmers who applied under The Livestock Loans Guarantee Act received their rebate, an extension of the program has been implemented.

During the fiscal year, the Corporation paid out $189 in interest subsidy to farmers, bringing the total amount paid out in interest subsidy since the beginning of the program in 1969 to $1,156,788.

2. FarmStart Guaranteed Livestock Loans (F.G.L.L.)

On October 15, 1974, the FarmStart Guaranteed Livestock Loans under The Agricultural Incentives Act, came into being replacing the L.L.G.A. program.

Maximum loans under the new F.G.L.L. were increased from the limits under the L.L.G.A. Loan limits under the F.G.L.L. are $12,000 for individuals, $24,000 for multiple operator units consisting of two individuals and $36,000 for multiple operator units of three or more individuals.

There is no interest subsidy payment under the F.G.L.L., but lending institutions are limited to charging a maximum two percent above their prime interest rates.

Lenders are encouraged to make loans because they are guaranteed by the provincial government that if they experience a loss, eighty percent of the loss will be covered by the provincial government.

The repayment period is seven years and no payments are due on principal for two years after the date of the loan. Under the F.G.L.L., the farmer may apply through any commercial lender of his/her choice.

Loan purposes are limited to the purchase of female cattle and sheep for breeding purposes.

At the end of the fiscal year, $545,458 was outstanding in the guarantees under the program to 136 borrowers.

3. FarmStart Guaranteed Operating Loans (F.G.O.L.)

To assist those clients who have obtained a capital loan and who lack the necessary finances to meet immediate cash flow requirements, the Corporation provides guaranteed operating loans which are obtained from the lending agency of the borrower's choice.

During the year, the Corporation guaranteed 25 operating loans for a total of $658,553.

As of March 31, 1983, $185,399 was outstanding on 13 guaranteed operating loans.

C. BEEF INDUSTRY ASSISTANCE PROGRAMS

In the fall of 1974, beef prices were low for both fed cattle and calves. Cattlemen were experiencing considerable losses and it was feared that wide spread herd reductions would critically reduce the size of the breeding herd for future years.

In October, 1974, FarmStart introduced a one year interest free loan to cow-calf producers. As prices had not improved in 1975, another one year loan was provided. In 1976, the loan program was combined with grants to off-set the losses being incurred by cattle producers. During the three year period, loans totalling over $167 million were made involving an interest subsidy of $14.86 million and the 1976 grants totalled $31 million.

As of March 31, 1983, there was $840,654 outstanding under these loan programs.

SASKATCHEWAN FARMSTART CORPORATION
CREDIT ACTIVITY

Year	Number	Loans	Grants	Total
1973-74	844	$ 18,478,824	$ 4,042,760	$ 22,521,584
1974-75	1,192	25,383,824	5,268,640	30,652,464
1975-76	639	12,996,411	2,648,016	15,644,427
1976-77	348	8,091,300	1,322,666	9,413,966
1977-78	379	10,600,107	1,076,082	11,676,189
1978-79	375	12,891,656	1,370,601	14,262,257
1979-80	658	25,050,263	1,953,457	27,003,720
1980-81	1,059	44,270,642	2,202,218	46,472,860
1981-82	880	36,989,382	1,540,854	38,530,236
1982-83	463	18,108,897	510,719	18,619,616
		$212,861,306	$21,936,013	$234,797,319

Pre 1977-78: Application Approvals
Post 1978-79: Loan Approvals

SASKATCHEWAN FARMSTART CORPORATION

Loan and Grant Approvals by Region
For the year ended March 31, 1983 and the year ended March 31, 1982

	Number		Amount	
Region	**1983**	**1982**	**1983**	**1982**
Weyburn	65	122	$ 3,039,049	$ 5,319,379
Swift Current	77	152	2,886,092	6,693,695
Yorkton	45	95	1,656,667	3,630,877
Watrous	121	211	4,933,084	10,778,918
Tisdale	49	112	2,016,773	4,301,566
North Battleford	106	188	4,087,951	7,805,801
Total	463	880	$18,619,616	$38,530,236

Loans and Grants Approved by Type and Region
For the Year Ended March 31, 1983

Region	Hogs	Beef	Dairy
Weyburn	$ 87,274	$1,348,983	$1,602,792
Swift Current	244,571	1,771,366	334,672
Yorkton	569,207	925,387	126,323
Watrous	1,455,008	1,382,555	486,838
Tisdale	691,002	331,828	223,322
North Battleford	863,375	2,242,039	679,195

Region	Irrigation	S.S.R.I.D. Irrigation	Other
Weyburn	$ –	$ –	$ –
Swift Current	342,218	–	193,265
Yorkton	35,750	–	–
Watrous	812,396	594,273	202,014
Tisdale	147,510	–	623,111
North Battleford	45,042	–	258,300

3. Repayments

During the fiscal year, 514 clients and 915 loans reached the date of first payment, making a total number of clients on repayment at 4,126. Loans on repayment have risen to 6,338.

The time of first repayment depends upon the nature of the farmer's enterprise. In cases where the cash returns of the enterprise will not begin for some time, the first repayment may be delayed as much as three years after the date of the first drawdown on the loan. Regular payments are based on the type of enterprise and can be made by the farmer on a monthly, quarterly, semi-annual or annual basis.

Repayment terms can be to a maximum of 15 years with special flexibility of repayment related to the prices of products being produced. This special flexible repayment option applies only to cattle and hog loans. Within a range of normal prices, normal repayment rates are required. Where applicable, government price guarantee levels are incorporated in the calculation of flexible repayments. The flexible payments for beef and hog enterprises during 1982-83 were 100% for all four quarters. The levels of 100% are unchanged from the last three quarters of 1981 and the first quarter of 1982.

Approximately 463 of the 2,916 clients on repayment for beef loans were still on flexible repayment. The amount is continuing to decline as many farmers repaid the accrued portions of their accounts and are now back to normal repayments.

In the case of clients having hog enterprises who chose flexible repayments, there are no outstanding loans with accrued repayments. Hog payments continue to remain stable because of the benefits of the Saskatchewan Hog Assured Returns Program which are included in calculating producer returns.

An indication of the resilience of most farmers to weather the recent economic climate of high interest rates and low prices is illustrated by a loan delinquency rate as of March 31, 1983 of 5.66%. This delinquency rate included all accounts with arrears over 30 days.

4. FarmStart Clients

The Saskatchewan FarmStart Corporation was created to assist young and developing farmers. To evaluate the effectiveness of FarmStart's programs and services upon its target group, a study was undertaken to determine the economic and social status of those applying for agricultural credit. The study is based on the 420 applications which were approved during 1982.

Beginning Farmers

The average age of farmers in this category was 25 years.

Of the total of 420 clients, 84 individuals were classified as beginning farmers in that they reported no or little gross farm income or net income from farm sources. The average of their gross assets was $74,508, while the net worth average was $32,573.

Short term debt averaged $4,489 while long term debt was $37,381. Non-farm income was $10,059 while the average net farm income was a negative $796.

The average land base was 709 acres which consists of 80 acres owned, with the remaining 629 acres rented.

The average applicant in this group received loans and grants totalling $77,801. For specific enterprises, the averages were $137,787 for dairy operations, $84,510 for hog enterprises and $55,304 per beef farmer.

Expanding Farmers

The average age of the 336 individuals who were expanding their farm units was 28 years.

Gross farm income was $37,024 with a net farm income of $2,208. Non-farm income was $5,077 per applicant.

The average of gross assets was $169,944 and the average net worth was $75,210.

Short term debt averaged $14,110, with long term debt at $83,757.

The average farm size was 878 acres with 241 being owned while the remaining 637 acres were rented.

The average applicant in this group received loans and grants totalling $74,277. For specific enterprises, the averages were $144,468 for dairy farmers, $91,928 for hog producers and $54,755 per beef farmer.

SASKATCHEWAN FARMSTART CORPORATION

FINANCIAL STATEMENTS
Year ended March 31, 1983

Office of the Provincial Auditor
Regina, Saskatchewan

Financial Statements

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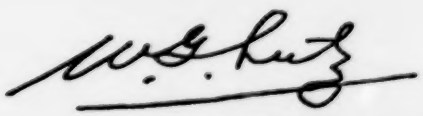
AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of FarmStart as at March 31, 1983 and the statements of revenue, expenditure and accumulated surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of FarmStart as at March 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
October 19, 1983.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Statement 1

FARMSTART
BALANCE SHEET
March 31, 1983
(with comparative figures at March 31, 1982)

	1983	1982
ASSETS		
Bank and short-term investments (at cost)	$ 13,467,441	$ 7,775,182
Appropriations receivable – Province of Saskatchewan	40,000	–
Accounts receivable and accrued interest on loans	7,682,703	6,690,996
Loans receivable:		
Cash advances, net of allowance for losses (1983 – $805,344; 1982 – $702,118) (Notes 3 & 5)	35,310	357,801
FarmStart loans, net of allowance for losses (1983 – $4,789,343; 1982 – $2,543,756) (Notes 4, 5 & 10)	140,011,008	127,110,524
Total loans receivable	140,046,318	127,468,325
Office equipment at cost	76,756	76,784
Total assets	$ 161,313,218	$ 142,011,287
LIABILITIES AND PROVINCE'S EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 4,618,673	$ 3,860,717
Unexpended grants – Province of Saskatchewan (Note 6)	234,682	2,131,628
Loans payable – Department of Agriculture (Note 13)	37,380	30,431
Debentures – Province of Saskatchewan (Note 7)	156,326,000	135,892,000
Total liabilities	161,216,735	141,914,776
Province's Equity:		
Equity in office equipment	$ 76,756	$ 76,784
Accumulated surplus (Note 5) (Statement 2)	19,727	19,727
	96,483	96,511
Total liabilities and province's equity	$ 161,313,218	$ 142,011,287

(See accompanying notes to the financial statements)

FARMSTART
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED SURPLUS
For the Year Ended March 31, 1983
(with comparative figures for the 1982 year)

	1983	1982
Revenue:		
Grants from the Province of Saskatchewan (Note 6)	$ 10,200,478	$ 7,933,022
Loan interest	11,819,985	8,958,801
Short-term investment income	2,007,861	1,114,736
Other revenue	572,808	512,639
Total revenue	24,601,132	18,519,198
Expenditures:		
Administrative expenses (Schedule 1)	3,070,021	2,891,393
Grant program (Note 10)	762,243	1,538,089
Livestock loan interest rebates and guarantees (Note 8)	53,458	48,794
Interest (Note 7)	17,716,116	12,713,933
Provision for losses and bad debt expense (Notes 5 & 9)	2,999,294	52,153
Total expenditures	24,601,132	17,244,362
Excess of revenue over expenditure	—	1,274,836
Accumulated surplus (deficit), beginning of year	19,727	(1,255,109)
Accumulated surplus (deficit), end of year (Statement 1)	$ 19,727	$ 19,727

(See accompanying notes to the financial statements)

FARMSTART
STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Year Ended March 31, 1983
(with comparative figures for the 1982 year)

	1983	1982
Source of Cash:		
Operations for year		
Excess of revenue over expenditures	$ –	$ 1,274,836
Items not involving cash funds:		
Increase (decrease) in allowance for losses		
– FarmStart loans	2,871,396	779,764
– cash advance	127,898	(727,611)
Net source of cash from operations	2,999,294	1,326,989
Proceeds from debentures	20,434,000	33,000,000
Decrease in cash advance loans	194,593	773,105
Increase in unexpended grants – Province of Saskatchewan	–	1,256,206
Increase in accounts payable and accrued interest	757,956	1,114,188
Increase in loans payable – Department of Agriculture	6,949	–
Decrease in appropriations receivable – Province of Saskatchewan	–	100,000
Total source of cash	24,392,792	37,570,488
Application of Cash:		
Increase in appropriations receivable – Province of Saskatchewan	40,000	–
Increase in accounts receivable and accrued interest on loans	991,707	2,168,018
Increase in FarmStart loans – net of repayments	15,771,879	29,540,087
Decrease in unexpended grants – Province of Saskatchewan	1,896,947	–
Decrease in loans payable – Department of Agriculture	–	21,969
Total application of cash	18,700,533	31,730,074
Net increase in cash	5,692,259	5,840,414
Bank and short-term investments beginning of year	7,775,182	1,934,768
Bank and short-term investments, end of year	$ 13,467,441	$ 7,775,182

(See accompanying notes to the financial statements)

FARMSTART

NOTES TO FINANCIAL STATEMENTS
March 31, 1983

1. **Significant Accounting Policies**
   a) The records of the Corporation are maintained on the principles of fund accounting wherein the appropriations from the Legislature are segregated and transactions pertaining to each are separately accounted for.
   b) The Corporation has adopted the accrual method of accounting. Exception to this principle is made in the case of grant programs administered by the Corporation wherein the expense is not recognized until the grant payment is made. Effective August 31, 1982 the grant program was discontinued. Similarly, expenses associated with guaranteeing loans extended by commercial lending institutions are not recognized until a claim for loss is submitted by the institution. (See Notes 5, 8 and 9)
   c) Office equipment is expensed during the year of purchase.
2. **Status of the Corporation**

   FarmStart is a Corporation established under The Agricultural Incentives Act, proclaimed July 3, 1973. The same Act established The FarmStart Fund through which all transactions reflected in these statements were conducted.
3. **Cash Advances**

   Under Parts VI, VII and VIII of the Regulations under The Agricultural Incentives Act, the Corporation was authorized to advance loans to cattle farmers for the purpose of maintaining their breeding stock. This program has now expired and as of March 31, 1980, all loans and accrued interest were due and payable.
4. **FarmStart Loans**

   FarmStart loans are repayable, with interest, over terms not exceeding fifteen years. The loans bear interest at rates varying between 6% and 14% depending on the year of issue. Security on individual loans varies according to what is considered adequate in the particular circumstances, and includes mortgages on real property, chattel mortgages and guarantees, as well as insurance on the lives of the borrowers.
5. **Allowance for Doubtful Accounts**

   In accordance with generally accepted accounting principles, the Corporation has established an allowance for anticipated losses on the FarmStart loans of $4,789,343 ($2,543,756 in 1982) and an allowance of $805,344 ($702,118 in 1982) for cash advances.

   The Corporation has made these allowances for anticipated loan losses. In the past, the Department of Finance did not deem the loss to be incurred until an individual account was written off. However, the loss as related to FarmStart loans and Cash Advance loans is now considered to be incurred when the allowance is established.

   The Corporation has made no allowance for expenses that may be incurred in honouring guarantees on outstanding loans extended by commercial lending institutions (See Notes 1(b), 8 and 9).
6. **Appropriations from Province of Saskatchewan**

   Under Section 37 of The Agricultural Incentives Act, the Minister of Agriculture is empowered to make grants to FarmStart out of monies appropriated by the Legislature. During the year ended March 31, 1983, grants were received for the payment of administration costs, interest on borrowed funds, grants made to farmers under Section 19 of the Act, losses incurred on loans extended under the Act, costs incurred by honouring guarantees made under the Act, the interest subsidy on loans extended under The Livestock Loans Guarantee Act, (see Note 8), and costs incurred by honouring guarantees made on loans extended under The Livestock Loans Guarantee Act, (see Note 8). Furthermore, the Corporation is required to repay to the Consolidated Fund any surplus remaining from the grants received by it during the year. The following table summarizes activity in respect of grant monies for the year ended March 31, 1983.

GRANTS TO FARMSTART

	General Administration	Interest Subsidy	Grants to Farmers	Loan Losses	Livestock Loan Guarantees	Total
1982-83						
Appropriations:						
—main estimates	$3,110,160	$ 3,475,000	$700,000	$3,000,000	$50,000	$10,335,160
— virements & transfers	—	440,000	(257,000)	—	—	183,000
Total Appropriations	$3,110,160	$ 3,915,000	$443,000	$3,000,000	$50,000	$10,518,160
Grants Proceeds Received	$3,110,160	$ 3,915,000	$360,000	$3,000,000	$50,000	$10,435,160
Gross Expenditures	$3,070,021	$17,716,116	$762,243	$2,999,294	$53,458	$24,601,132
Deduct Revenue	120,859	13,827,846	422,377	—	29,572	14,400,654
Net Expenditure for Purpose Specified	2,949,162	3,888,270	339,866	2,999,294	23,886	10,200,478
Unexpended Grants Payable	$ 160,998	$ 26,730	$ 20,134	$ 706	$26,114	$ 234,682

7. **FarmStart Borrowing**

Under Section 26 of The Agricultural Incentives Act the Corporation may, with the approval of the Lieutenant Governor in Council, borrow monies from various sources as it deems necessary for its purposes. Section 29 restricts total borrowing by the Corporation to $225,000,000 of which $45,000,000 can be short-term credit as set out by the Order-in-Council 1587/77. All funds borrowed under the line of credit are at the bank's prime rate of interest.

As of March 31, 1983, the following debentures were outstanding:

Amounts	Due Date	Interest Rate
$ 2,600,000	July 2, 1994	8.58%
4,839,000	August 1, 1994	9.05%
3,733,000	September 3, 1994	8.92%
3,573,000	November 1, 1994	9.25%
3,100,000	December 2, 1994	9.07%
2,397,000	January 2, 1995	8.63%
3,576,000	February 3, 1995	8.46%
4,633,000	March 3, 1995	8.38%
1,500,000	May 1, 1995	8.65%
4,031,000	November 3, 1995	9.48%
3,155,000	December 1, 1995	8.95%
2,036,000	January 5, 1996	9.14%
3,060,000	February 2, 1996	9.07%
7,639,000	March 1, 1996	9.06%
6,399,000	April 1, 1996	9.03%
3,170,000	June 1, 1996	9.00%
5,194,000	August 3, 1996	8.98%
5,000,000	September 1, 1996	9.07%
4,657,000	May 10, 1998	9.49%
13,572,000	June 2, 2000	12.01%
5,735,000	July 3, 2000	11.82%
3,273,000	December 1, 2000	13.30%
1,648,000	January 5, 2001	13.18%
4,372,000	March 2, 2001	13.13%
9,044,000	July 2, 2001	14.81%
7,544,000	September 1, 2001	17.01%
1,551,000	November 2, 2001	17.51%
4,253,000	December 1, 2001	15.93%
5,167,000	January 4, 2002	14.51%
5,441,000	March 1, 2002	16.10%
11,310,000	July 5, 2002	15.38%
9,124,000	August 3, 2002	16.53%
$156,326,000		

The interest expended on each type of debt is as follows:

	1983	1982
Debenture interest	$ 17,683,852	$ 12,533,076
Bank interest	32,264	180,857
	$ 17,716,116	$ 12,713,933

8. **Guaranteed Loans Under Livestock Loans Guarantee Act**

Effective April 1, 1975, the Corporation became responsible for administration of Livestock Loan Guarantee Program under The Livestock Loans Guarantee Act. Under this program, the Minister of Agriculture guaranteed loans to livestock producers extended by commercial lending institutions. In addition, the Minister would pay each producer the interest paid in excess of 7% during the first three years of the loans. As of March 31, 1983, outstanding loans amounted to approximately $60,471 ($140,391 at March 31, 1982).

9. **Guaranteed Loans Under The Agricultural Incentives Act, 1973**

As indicated in Note 1(b), the Corporation provides guarantees on loans extended to farmers by commercial banks and credit unions to the extent of 80% of the loan balance. Guaranteed livestock loans may be made to farmers who expand their livestock herds and at March 31, 1983, there were $545,458 in outstanding loans ($720,227 in 1982). Regular FarmStart clients may be approved for guaranteed operating loans to help finance the operation. At March 31, 1983, there were $185,399 in outstanding loans ($266,425 in 1982).

10. **Commitments**

As indicated in Note 1(b), the Corporation does not recognize grant expenditures until the grant payment is made. At March 31, 1983 the Corporation had outstanding grant commitments on the FarmStart Loan and Grant Program for loans approved prior to August 31, 1982 of approximately $348,889 ($656,150 at March 31, 1982).

Similarly, at March 31, 1983, there were approximately $13,295,247 ($19,395,664 at March 31, 1982) in outstanding loan commitments.

11. **Costs Borne By Other Agencies**

All seventeen offices of the Corporation are located in government buildings and accordingly, no rent is paid for the use of that space. Neither the value of these benefits received nor the costs of this space are reflected in these financial statements.

12. **Executive Salaries**

Included in the 1982-83 Salaries and Benefits classification on Schedule 1, are executive salaries of $198,878 ($193,525 in 1981-82), paid to four executives.

13. **Loans Payable — Department of Agriculture**

FarmStart administers Conservation and Land Improvement Loans for the Department of Agriculture. Interest received is recorded as a liability to the Consolidated Fund. Repayments of principal by the farmers are payable to the Department of Agriculture.

Schedule 1

FARMSTART
SCHEDULE OF ADMINISTRATIVE EXPENDITURES
For the Year Ended March 31, 1983

	1983	1982
Salaries and benefits (Note 12)	$2,500,299	$2,218,413
Travel and sustenance	151,864	224,973
Professional services	200,904	215,429
Miscellaneous administrative costs	66,460	57,620
Data processing costs	65,859	44,256
Chattel registration fees	43,968	53,475
Printing and stationery	34,705	49,813
Advertising	4,121	21,854
Purchase of office equipment	1,841	5,560
Total Administrative expenses	$3,070,021	$2,891,393

POOR

QUALITY

ORIGINAL